

Confidential Local Pension Fund Board Minutes

Date: 3 November 2023

Time: 10:00am -12.33pm

Venue: New Shire Hall, Alconbury Weald

Present: Employer Representatives: Councillor Geoffrey Seeff

Employee Representatives: Val Limb, Barry O'Sullivan [Vice-Chair] and Denis Payne

112. Election of Chair and Vice Chair

It was proposed by Val Limb, seconded by Barry O'Sullivan and resolved unanimously to re-elect Councillor Denis Payne as the Chair of the Local Pension Fund Board for the municipal year 2023-24.

It was proposed by Val Limb, seconded by Councillor Denis Payne and resolved unanimously to re-elect Barry O'Sullivan as the Vice-Chair of the Local Pension Fund Board for the municipal year 2023-24.

113. Apologies for Absence and Declarations of Interest

Apologies for absence were received from Cllr S King. There were no declarations of interest.

114. Local Pension Fund Board Minutes – 30 June 2023 and Action Log

The minutes of the meeting held 30 June were approved as a correct record.

On the Action Log, a response had been received from ACCESS regarding attendance. Members noted that ACCESS were planning a formal review for March 2024.

The Board noted the Action Log.

115. Internal Audit Report 2022-23

The Board considered the annual internal audit report of the administration of the Pension Fund. The audit had been carried out by the West Northamptonshire Council Audit and Risk Management Service, and gave a substantial assurance opinion in respect of the control environment/system in place, and a substantial assurance opinion for compliance. This year's audit had moved away from the historic approach of examining routine systems documentation, testing and control evaluation, to a higher level approach focusing on management control. There were no recommendations arising from the Internal Audit process this year, and the previous year's

recommendations had largely implemented e.g. the continued development of KPIs, with just one recommendation outstanding.

Arising from the presentation:

- a Member asked both Internal Audit and Pensions officers what their experience had been of the new audit approach. The Head of Pensions confirmed that the audit had gone well, and more quickly than expected. There had been an incredibly robust audit the previous year, and this year's audit had built on those assurances. It was noted that Cambridgeshire Internal Audit would undertake the Pensions audit next year, and that team had already indicated that they would be returning to a more transactional based approach. There had been an incredibly robust audit in 2022-23, and this was intended to build on that assurance work. Three new control objectives covering important areas had been added, and the Internal Audit team felt that the focus had rightly shifted to higher level controls;
- one Member agreed to have separate meeting with the Internal Audit officers to discuss some of the detail of the audit;
- a Member noted a significant reduction in the number of active scheme employers, and asked why this was, and whether it had impacted on the audit itself? Internal Audit officers confirmed this reduction was not factored in, they only considered a selection of random transactions. The Head of Pensions advised that a primary driver for the reduction in numbers of employers was the increase in the number of multi academy trusts;
- a Member congratulated the Pensions team on securing substantial assurances in the audit and no recommendations.

It was resolved to note the Internal Audit work covering the period 2022-23

116. Administration Performance Report

The Local Pension Fund Board received a report which set out the Cambridgeshire Pension Fund's performance for the period 1st June to 30th September 2023.

A number of Red and Amber KPIs were noted relating to the processes around notifications to members retiring from active or deferred membership, due to resource pressures within the relevant team. It was noted that the targets were particularly tight compared to peers, and it was proposed to review these targets as part of the Administration Strategy Review, which would be considered at the January Board meeting. The Pension Fund Committee would be asked to temporarily relax the KPI for five day turnaround for notification for retirement from active service to ten days, and to formalise that change in the new year.

Members were reminded that at the last few meetings, there had been discussion on the intention to develop supplementary KPIs, and those new indicators were set out in Appendix 2 to the report. These supplementary KPIs would be reported to Committee with effect from December. The intention was to look wider, e.g. considering whether

there were any systemic issues with employment, and putting the required interventions and training in place if this was the case.

In relation to the Internal Dispute Resolution Procedure (IDRP) case about the refusal to pay 50% widows pension, it was clarified that this related to a post-retirement marriage, and the regulations were based on the marital status of the scheme member when they retired.

Arising from the report:

- a Member asked about “Industry norms/standards”, and whether the team had been attempting to achieve more rigorous standards than peers. Officers confirmed that they had compared the Fund to 10-12 peers, and the majority set 15 day targets for notifications, and most of the Fund’s KPIs were more stringent than other funds. It was noted that the notification KPIs had mainly been Green historically, but recent performance reflected the unusual combination of pressures on staffing resources, making those turnaround times less achievable. The team was also scrutinising its own workflow processes, and whilst tasks were usually allocated the same day, potentially there could be a day or so lead time, which was why the Head of Pensions was happier for them the targets to be more rigorous;
- a Member asked why employers left the Fund. Officers confirmed that most Fund leavers were organisations on short term contracts. Officers were unaware of employers leaving the Fund due to dissatisfaction, but agreed to report back. **Action required.** In addition, there were a very small number of ‘legacy’ employers with deficits, for whom it was a good time to exit;
- in response to a query on one employer leaving the Fund with a substantial surplus, it was noted that at the last Valuation a “funding corridor” had been introduced for certain employers. This had primarily been introduced so that employers were not subject to, at cessation, a significant deficit or surplus position. It also gave reassurance to those employers that they were not subject to the vagaries of market conditions on the day they left the Fund. The assessment of what an employer paid was a multi factorial decision based on calculations by the Actuary. The Member asked if the Fund was vulnerable to any of the Fund’s largest employers leaving the Fund with big surpluses? Officers confirmed that legally they could not, as they were Scheduled Bodies;
- a Member was pleased to note the development of the customer journey KPI. His experience was that the Service did a good job, but was sometimes hampered by employers providing information late, and he asked whether any employers were just providing annual data? Officers explained that the majority of employers used iConnect to transfer data monthly, but they would check the number that were not submitting data monthly and circulate this information. **Action required.**
- there was a discussion on the new customer journey KPI and how this was being developed;

- a Member asked about the likelihood of SERCO appealing, as they had left the Fund with a significant surplus. Officers outlined the various rights to appeal open to dissatisfied employers, and agreed to confirm the deadlines for the Stage 1 and 2 IDRPs appeals, advising that there was some flexibility. Officers would also provide the Pensions Ombudsman timelines. Action required.

Officers were thanked for their excellent report.

It was resolved to note the Administration Performance Report.

117. Pension Fund Annual Business Plan Update report 2023-24

The Committee considered an update to the Business Plan, which set out progress against key activities.

Members noted the following points:

- the successful reprocurement of the software contract had concluded, with Heywood selected as the preferred supplier. Members noted the status of the other reprocurements currently being progressed;
- there had been some positive progress with the GMP rectification, which had been reprofiled, but were aiming to conclude this financial year;
- the McCloud remedy had been changed to Amber, as a result of late guidance and a response to the consultation from government. The Fund's administration system was largely applying the underpin as expected, but the remedy for cases already awarded would not be progressed until guidance was issued next year;
- positive progress had been made with unprocessed leavers, with the numbers outstanding gradually falling.

Arising from the report:

- a Member asked if the publication of the long awaited Code of Practice in 2024 was welcomed? Officers confirmed that it was long overdue, and guidance from the Fund's governance advisers was awaited on planned activities.
- in response to a question on the Effectiveness Review, officer confirmed that this was also overdue, and that resources needed to be identified internally to progress this work;
- a Member observed that the first target in the Climate Action Plan was due in 2024, and asked what progress was being made to the 23% decarbonisation? Officers confirmed that they expected to be considerably ahead of schedule, and would be taking provisional results to the next Investment Sub-Committee meeting, and would report back to the Board. Really positive progress was expected following the

changes to the passive equity allocation, and work would commence on other asset classes in due course;

- in response to a query on the Administration expenses in the summary, it was confirmed that these were included in the Management expenses at a high level, and itemised in the breakdown;
- with regard to the switch of gilts “not on target”, it was confirmed that this related to the change of gilts which were being used as collateral for the equity protection programme into the UBS Pooled Passive vehicle. Consideration had taken place on where to move them to, but they had been moved from Schrodgers to UBS. Officers believed that they had been moved, but agreed to confirm with the Board. **Action required.**

It was resolved to:

1. note the Business Plan Update.
2. note the new Business Plan activities under paragraphs 3.18 and 3.19

118. Governance and Compliance Report

The Local Pension Fund Board received a report which provided information on governance and compliance issues.

Members were reminded that there had been a project reset on the Pensions Dashboard Programme, and the single connection deadline of 31 October 2026 had been set in regulation. The change related to the approach in terms of the connection guidance, and the specific staging date that the Fund needed to work to was awaited. This would not be set in regulation, but the Pensions Regulator had indicated that Funds must have regard to the staging guidance, and not having regard would be regarded as a breach of law. Until the guidance was published, the Fund could not fully commit to an action plan.

The Payroll administration software procurement had concluded, and the team was now looking at the ISP requirements, to see what controls there were over the matching criteria.

The implications of GDPR for those members where the Fund does not have records, or only have partial matches, were noted, and how this tied in with the data improvement plan.

The most pressing issue internally was the McCloud Remedy, given the short timescales between the publication of the government’s response to the consultation, the publication of the regulations and them coming into force. The statutory and secondary guidance was awaited. The Scheme Advisory Board, on behalf of DHLUC, had issued draft prioritisation guidance on 12 October, to enable Funds to prepare. In the context of the Cambridgeshire Pension Fund, just over 18,000 members were in

scope, however this may increase slightly where members were holding in other public service or LGPS funds. It was believed that collecting information about other funds would be included in the prioritisation guidance. Internally, the Fund had been compliant from 01/10/23, when the regulations had come into force, and very few issues had been encountered since then. In terms of communications on McCloud, the landing page for the Fund website had been updated, and progress and plans with other communications were outlined, including directly emailing scheme members (where an email was available). In practice, the majority of members would not see an increase in benefits, but the key message was that the Fund would be compliant in terms of all requirements.

With regard to Gender Pay gap, there was a strong push to look into EDI issues, especially from the Pensions Regulator. This mainly related to ensuring everything was accessible, in areas such as communications.

Arising from the report:

- a Member asked what financial assessments had been carried out on the impact of McCloud on the Pension Fund? Officers advised that the Fund Actuary had been asked to review the issue, and had advised that it was immaterial financially to the Fund, and scheme employers too. Actual numbers would be known when the remedy stage was reached, and the Actuary would again be asked to review the situation at that point;
- a Member noted that the Scheme Advisory Board section there was a lot of work on standardising KPIs. Officers explained that SAB was looking to standardise KPIs with CIPFA for the Annual Report, which were not compulsory. The Fund would observe any guidance coming out of that work once issued, but that was different to the work the Fund was doing on its own KPIs;
- noting the Pensions Gender Pension Gap report, a Member observed that pensions were based on an individual's underlying employment, and asked what could be done to lessen that gap? Officers explained that this was a developing area, and the focus was on the communications, to ensure communications were pitched with specific groups of people in mind, e.g. those working part-time, and getting those key messages across;
- it was confirmed that interviews were scheduled soon for specialist governance post.

The Chair commented on the complexity of the issues dealt with, and commented that he was confident of the team's abilities to deal with these issues.

It was resolved to note the Governance and Compliance Report.

119. Cambridgeshire Pension Fund Potential Breaches of the Law Report

The Board considered a report which detailed the measures and procedures in place to deal with potential breaches of the law.

Members' attention was drawn to the section on compliance in terms of the Pensions Act. The report pulled together all the work undertaken to date, giving assurance that all relevant areas were covered. The section of the report outlining potential consequences was noted. Officers would be attempting to cross reference the schedule against Risk Register controls.

A Member noted the reference to a Quality Assurance Officer, and asked where they sat within the team's staffing structure, and what their role was? It was confirmed that the Quality Assurance Officer was part of the Operations team, and ensured processes were kept up to date, and that appropriate guidance was given. In addition there was a Quality Assurance Board in the governance team, which included representatives from different teams. Whilst the Quality Assurance Officer did not produce reports for the Committee/Board, they were responsible for monitoring KPIs. The Head of Pensions advised that the QA Board was established to ensure that any changes in the environment were reflected in procedures, i.e. horizon scanning, legal issues, LGO decisions, etc, so that all measures were taken to ensure the right processes were in place.

A Member asked how issues relating to the Boycotts and Divestments Bil would be resolved e.g. what happened where a UN directive differed to UK legislation - which one took precedence? Officers confirmed that advice came from central government would take precedence, and the Fund would only divest from a sector or region on the advice from central government e.g. divestment from Russian investments following the commencement of the Russia/Ukraine conflict.

It was resolved to note the potential breaches of the Cambridgeshire Pension Fund Board and associated control measures.

120. Cambridgeshire Pension Fund Cash Management Strategy

Members considered a report on the Cambridgeshire Pension Fund Cash Management Strategy, which had been updated to reflect minor changes, including the change to the bank account. The Strategy reflected that most money came from contributions, and pensioner payroll was the biggest outgoing. Any surplus was invested, whilst ensuring enough money was available for transactions, such as high value pensioner lump sum payments. Distributions from investments also increased cash balances, especially from Alternative investments.

A Member noted that scheme members could now take their pensions and lump sums from age 55, and asked if earlier retirements were impacting on cash management? Officers confirmed that at an individual member level, there was a longer timeframe over which they could take their lump sum and pensions, with Ill Health retirements taking place before age 55. This was not really an issue for the Fund, which used Treasury Management software to manage cash management, but more for the scheme employer. Anecdotally there was a feeling, since the Pandemic, that there was an increase in members taking their pension, but it would take a number of years before it could be confirmed that that increase was being sustained. Moreover, this needed to be reviewed in the context that the Fund maturing, whereby the numbers of deferred members and pensioners was increasing compared to active members. This was not

concerning from a cash management perspective, where the main concern was inflation.

A member asked about the end of day account sweeping. It was noted that the amount retained locally was minimised as far as possible, and any surplus was swept into the Custodian account to gain returns.

It was resolved to note the Cambridgeshire Pension Fund Cash Management Strategy.

121. Cambridgeshire Pension Fund Annual Report

The Board considered a late report on the Cambridgeshire Pension Fund Annual Report. Members noted that the report had been accepted by the Chair as it needed to be presented to the County Council's full Council meeting in December. The report detailed the activities of the Board for the year. It was noted that the training section needed to be updated.

It was resolved to approve the Annual Report.

122. Agenda Plan

The agenda plan was noted.

123. Exclusion of Press and Public

It was resolved that the press and public be excluded from the meeting on the grounds that the agenda contained exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information).

124. Cambridgeshire Pension Fund Risk Monitoring

The Board reviewed the Cambridgeshire Pension Fund Risk Register.

It was resolved to review the Cambridgeshire Pension Fund Risk Register.

125. Cyber Resilience and Data Protection

The Board considered an update on cyber resilience and data protection issues.

It was resolved to:

- 1) note the report;
- 2) note the updated Cyber Activity Action Plan.

126. Additional Contribution (AVC) Provider administration and investment performance review

The Board considered a review of Additional Voluntary Contributor (AVC) proposals.

It was resolved to note the report.

127. ACCESS Update

The Board received an update on the ACCESS Asset Pool.

It was resolved to note the report.

Chair